

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING

Call to Order: By Chairman Bob Ream, on February 15th 1989, at 7:00 a.m.

ROLL CALL

Members Present: All with exception of:

Members Excused:

Members Absent: Sen. Brown, Sen. Gage, Sen. Norman, Rep. Ellison, Rep. Giacometto

Staff Present: Dave Bohyer, Legislative Council, Maureen Cleary, Committee Secretary

Announcements/Discussion: Rep. Ream announced that the Committee will meet again approximately eight days after Transmittal (Feb. 22) He had asked the Budget Director to speak to the Committee after this date. He also commented that copies of the final report from the Committee will be circulated to all members within a few days.

Ms. Judith Curtis-Waldron/LFA: Reviewed Exhibit #1 with the Committee members.

Mr. Terry Johnson/REAC: Reviewed Exhibit #1 with the Committee members.

QUESTIONS FROM THE COMMITTEE:

Sen. Eck: Regarding Corporate License Tax, which year was the surtax applied, and was it to make up for another year.

Rep. Ream: I notice quite a drop in figures. Is this due to the surtax going off? Why such a big gap in 1990? Ms.

Waldron: Each office uses different models.

Mr. Bohyer: In the resolution, we actually have to put numbers in there and the Committee will have to adopt one of these lines, for each category. It is important to try to be as consistent as you can in adopting the numbers.

MOTIONS:

Rep. Eck moved to adopt the Executive figures on Individual Income Tax, noting that she saw less of a swing.

A VOTE WAS TAKEN WITH ALL VOTES IN FAVOR OF ADOPTING THESE FIGURES. SEE TABLE #6.

Sen. Harp moved to adopt the Executive Figures on Corporation License Tax, Oil Severance Tax, Coal Severance Tax and Coal Interest.

A VOTE WAS TAKEN WITH ALL VOTES IN FAVOR OF ADOPTING THESE FIGURES. SEE TABLE #6.

Mr. Terry Johnson/REAC: Reviewed the figures on Exhibit #2.

QUESTIONS FROM THE COMMITTEE:

Rep. Driscoll: Your figures show different drops, from LFA, one goes up and the other down. Ms. Madalyn Quinlan/LFA: The general is 15.3% and drops in 1990-91.

Rep. Ream: The Royalties are based on acreage so more acreage is being mined for coal? Ms. Quinlan: It has more to do with the cycle of mining and depends on how they are going down a strip. Mr. Johnson: With respect to the oil severance tax, there is a certain amount that is exempt.

Sen. Eck: Do you suggest that we add \$2 million to your LFA figures? Ms. Quinlan: At least for 1989 there should be another \$2 million; 1990 and 1991 are alright.

MOTIONS:

Rep. Driscoll moved to adopt the Executive figures for US Oil and Gas Royalties.

Sen. Walker provided a substitute motion to adopt alternative figures as follows: 1989/ 21.5 million, 1990/ 20.5 million, 1991/ 21.0 million.

A VOTE WAS TAKEN WITH ONE NO VOTE CAST (DRISCOLL), THE SUB-MOTION FIGURES WERE ADOPTED BY THE COMMITTEE. SEE TABLE #6.

THE COMMITTEE NOTED THAT THE FIGURES BEING THE SAME FOR STATEWIDE TAXABLE VALUATION FOR EXECUTIVE AND LFA, AND THEREFORE WILL ADOPT THOSE FIGURES. SEE TABLE #6.

Sen. Eck moved to adopt the Executive figures for Education Trust Interest.

A VOTE WAS TAKEN WITH ONE NO VOTE CAST (DRISCOLL), THE FIGURES WERE ADOPTED BY THE COMMITTEE. SEE TABLE #6.

Sen. Harp moved to adopt Executive figures for Elementary Transportation, Forest Funds, Taylor Grazing, Miscellaneous, and High School Tuition.

A VOTE WAS TAKEN WITH ALL IN FAVOR OF ADOPTING THESE FIGURES. SEE TABLE #6.

Sen. Walker moved to adopt the LFA figures for Permissive Levy and Miscellaneous Permissive.

A VOTE WAS TAKEN WITH ALL IN FAVOR OR ADOPTING THESE FIGURES.
SEE TABLE #6.

Mr. Bohyer told the Committee that they needed to act on two items: the Average Daily Balance and TRANS Issues.

Mr. Johnson: You could adopt the Average Daily Balance and leave the TRANS. You cannot get a bottom line total without adopting those figures. Rep. Ream directed the Committee to refer to the LFA spreadsheet for TRANS Issues.

Sen. Harp: We used \$56 million based on 1988. I say that we are going to be in bad shape, more than we were in the last biennium, based on "Loble". Why don't we put \$75 million in 1989-90. Terry what would you suggest. Mr. Johnson: You have to be a little careful on this. If you are going to have a new infusion of revenue of some type, then more than likely you may not have a deficit situation. Depending on when the flow of cash comes into the treasury. Sen. Harp: Let's say that whatever we do with "Loble", we phase it in over, we might not get it all in 1989-90-91. Where might we need a little something to get through part of the biennium? Wouldn't that be the area where you would need it, in TRANS? Mr. Johnson: That is the way you would borrow to get through that short-term situation, yes. Mr. Bohyer: It would depend on what the revenue source is. If it is property tax you can do it immediately. If it is sales tax, you're not going to get it immediately. Ms. Quinlan: It is important to remember who's revenue it is too.

MOTIONS:

Sen. Harp moved to adopt the LFA figures for TRANS Issues.

Mr. Johnson: When you issue TRANS you have to have the deficit within 6 months, otherwise you cannot go out and sell the note. You have to wait until the first of October.

A VOTE WAS TAKEN WITH ALL IN FAVOR OF ADOPTING THESE FIGURES.
SEE TABLE #6.

Ms. Waldron: I had mentioned earlier that I was having some problems with the Board of Investment and getting figures. I do have some clarification on the Average Daily Balance figures.

Rep. Ream: What affects the Average Daily Balance? Mr. Johnson: There is a treasury cash account which is a pool of all state funds, unless it is designated for those to earn interest for a specific account. Your general fund balance, etc., all of those funds are pooled and invested on a daily basis. One of the reasons that our cash balance is higher

is because of the highway program.

Sen. Harp: We have some March payments coming out this year.

MOTIONS: I move that we change the 1989 to \$241 million and based on what we did with TRANS we would be looking at, for 1990-91 let's stay with LFA.

A VOTE WAS TAKEN WITH ALL IN FAVOR OF ADOPTING THESE FIGURES.
SEE TABLE #6.

ADJOURNMENT

Adjournment At: 8:00 a.m.



REP. BOB REAM, Chairman

BR/mc

sub.8

DAILY ROLL CALL

Subcomm. on Joint Rev. Esti. COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 2/15/89

[illegible]

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
A Comparison of Revenue Forecasts based on Subcommittee Assumptions
(Millions)

Judy
2/15/89
exhibit #1
EXHIBIT #1
DATE 2/15/89
HB HJR 13

FY 1989 FY 1990 FY 1991

GENERAL FUND

Individual Income Tax

*Executive (*Terry Johnson*)
LFA
Subcommittee

\$143.810 \$141.677 \$150.661
144.588 136.598 152.029

Eck's motion for Ex
50.2% to gen. fund.
DISC: ☒
unan: ☒

Corporation License Tax

*Executive
LFA
Subcommittee

\$29.262 \$28.946 \$29.134
28.801 28.860 29.511

drop due to surty

Oil Severance Tax

*Executive
LFA
Subcommittee

\$13.536 \$13.165 \$12.613
14.050 13.223 12.588

Harp's motion Ex figure
DISC: ☒
VOTE: ☒ unan

Coal Severance Tax

*Executive
LFA
Subcommittee

\$9.115 \$7.237 \$6.412
9.387 7.307 6.403

Coal Trust Fund Interest

*Executive
LFA
Subcommittee

\$39.720 \$36.540 \$38.646
39.559 36.685 39.326

School Foundation Program
Revenue Estimate Comparisons

EXHIBIT #2

DATE 2/15/89

HB HJR 13

exhibit #2

Mike Walsh

2/15/89

Terry Johnson

Revenue Component	1989	1990	1991
US Oil & Gas Royalties			
Executive	\$22.705	\$21.749	\$22.446
LFA	\$19.044	\$18.634	\$19.213
Education Trust Interest			
Executive	\$0.848	\$1.564	\$1.831
LFA	\$0.824	\$1.561	\$1.818
Statewide Taxable Valuation			
Executive	\$1,942.950	\$1,903.008	\$1,882.194
LFA	\$1,942.950	\$1,903.008	\$1,882.194
Elementary Transportation			
Executive	\$(3.717)	\$(3.717)	\$(3.717)
LFA	\$(4.419)	\$(3.700)	\$(3.700)
Forest Funds			
Executive	\$1.465	\$1.465	\$1.465
LFA	\$1.163	\$1.163	\$1.163
Taylor Grazing			
Executive	\$0.102	\$0.102	\$0.102
LFA	\$0.108	\$0.108	\$0.108
Miscellaneous			
Executive	\$5.876	\$6.914	\$7.265
LFA	\$7.770	\$8.727	\$9.922
High School Tuition			
Executive	\$(0.838)	\$(0.838)	\$(0.838)
LFA	\$(0.759)	\$(0.759)	\$(0.759)
Permissive Levy			
Executive	\$16.113	\$15.782	\$15.609
LFA	\$17.487	\$17.127	\$16.940
Miscellaneous Permissive			
Executive	\$1.193	\$1.339	\$1.501
LFA	\$1.393	\$1.410	\$1.454

Driscoll
Motion = Ex #1's
sub
Walker: (b) (1) No
Disc: (b) (1) Driscoll
VOTE: (b) (1) Walker

Harp: Motion Ex #
Disc: (b) (1)
VOTE: (b) (1) unan

Motion
Walker: LFA #1
Disc: (b) (1)
VOTE: (b) (1) unan

8.3 mills
9.0 mills



The Big Sky Country

EXHIBIT final report
DATE 2/16/89
HB HR 13

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE BOB REAM

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TAXATION, VICE-CHAIRMAN
AGRICULTURE
REVENUE OVERSIGHT

February 16, 1989

TO: Senator Jack Galt, President of the Senate
Representative John Vincent, Speaker of the House
Honorable Members of the Senate
Honorable Members of the House of Representatives

FROM: Representative Bob Ream, Chairman
Joint Revenue Estimating Subcommittee

RE: First Report of the Joint Revenue Estimating
Subcommittee

Under the Joint Rules adopted by the 51st Legislature, the Joint Revenue Estimating Subcommittee is required to report to the respective houses on the 40th Legislative Day and on the 60th Legislative Day. (Joint Rule 30-60(2).) As Chairman of the Joint Subcommittee, I respectfully submit the attached report of the Subcommittee, as required.

Over the next couple of weeks, the Joint Subcommittee will meet to consider revisions to the revenue estimates resulting from anticipated changes in Montana's economy and from changes in Montana tax policy. We will make a second report of revenue estimates prior to the 60th Legislative Day.

As the report contains a number of tables reflecting varying revenue numbers, you may have questions. Please feel free to contact any of the members of the Subcommittee for an explanation of why the numbers are what they are and for the assumptions underlying these estimates. We are also open to suggestion on changes before the final report is completed.

The First Report
of the
Joint Revenue Estimating Subcommittee

The Fifty-First Legislative Session
40th Legislative Day

Senators

Robert J. (Bob) Brown
Dorothy Eck
Delwyn Gage
John Harp
Bill Norman
Mike Walker

Representatives

Bob Ream, Chairman
Jerry Driscoll
Orval Ellison
Leo Giacometto
John Patterson
Ted Schye

February 16, 1989

RECENT HISTORY AND BACKGROUND OF REVENUE ESTIMATES

The Joint Revenue Estimating Subcommittee has its origin in a House Joint Resolution introduced during the 48th Legislative Session. House Joint Resolution No. 33, introduced by Representative Jack Ramirez, et al., was one of the first formal attempts by the Legislature to estimate state revenues for an ensuing biennium. After receiving the approval of the House on a vote of 89 to 5, the resolution was amended in the Senate and approved 50 to 0 on second reading, then killed.

In 1985, Representative Steve Waldron soloed as the sponsor of House Joint Resolution No. 9, again a resolution to estimate state revenues for the biennium. In addition, HJR 9 also recommended the adoption of a beginning general fund balance based on generally accepted accounting principles, or GAAP, and requested that the economic assumptions and revenue estimates contained in the resolution be used by the Governor's Office of Budget and Program Planning (for the purpose of developing fiscal notes).

Also in 1985, then Representative John Harp became the first chairman of a six member subcommittee of the House Committee on Taxation. It was this "Subcommittee on Revenue Estimates" that began the formalization of estimating revenues in the Legislature, rather than in a committee of the Legislature or by deferring to the Executive branch.

While HJR 9 had considerable success in both houses, passing the House 95 to 4 and, as amended, the Senate 34 to 15, it never received final approval.

The effort was not abandoned, however, and in 1987, then Representative John Harp introduced House Joint Resolution No. 41.

In addition, the Joint Rules Committee established a Joint Revenue Estimating Subcommittee comprised of the members of the respective Committees on Taxation. The responsibility of the Subcommittee was to estimate revenues for the coming biennium. With the adoption of the Joint Rules in 1987, the responsibility of the Legislature to estimate revenues finally had an institutionalized toehold in the legislative process.

The resolution, HJR 41, again attempted to establish revenue estimates for the 1988-89 biennium. The resolution passed the House with flying colors, 95 to 3, but was never acted on by the Senate Taxation Committee.

During this 51st Legislative Session, House Joint Resolution No. 13, introduced by Representative Bob Ream, establishes a formal estimate by the Legislature of revenues for the ensuing biennium. As required by the Joint Rules of the House and Senate, this narrative is part of the first report of the Joint Revenue Estimating Subcommittee. A second report will be submitted to the House and Senate prior to the 60th Legislative Day.

WHY ADOPTING THE RESOLUTION IS IMPORTANT

Creating a balanced budget for the State of Montana is a big job with many components and complexities. If a bill has a specific appropriation, the fiscal impact of the legislative action is more easily recognized. All too often, however, the budgetary impacts of substantive legislation of a general nature go unnoticed or are underestimated or overestimated. As a result, the Appropriations and Finance and Claims Committees and the Taxation Committees struggle to assure that incoming revenue will at least balance with outgoing expenditures.

Montana's Constitution speaks directly to the question of balancing the state's budget. Article VI, section 9, requires the Governor to submit a budget to the Legislature detailing expenditures and revenues. As a

counterweight on the balance of power scales, Article VIII, section 9, precludes the Legislature from appropriating funds in excess of anticipated revenues. The language in Article VIII, section 9, not only requires the Legislature to determine appropriations, it also requires the Legislature to estimate revenues.

The argument is often made that incoming revenues can only be estimated, while appropriations are specifically limited in the main appropriations bill and the "cats and dogs" that survive the session. The clarity of the argument fades, however, if one examines reversions of unexpended appropriations made by state agencies at fiscal yearends or the requests for supplemental appropriations that crop up for each Legislature to consider. Appropriations appear to be specific, but some funds go unspent and are reverted. Similarly, expenditures are made for which insufficient money has been appropriated, thereby causing supplementals. Neither appropriating funds nor estimating revenues is an exact science -- except in hindsight!

While the Appropriations and Finance and Claims Committees struggle to establish the maximum amount of funds that may be expended, other committees, primarily the Taxation Committees, struggle to assure that the minimum amount of revenue necessary to fund state activities will be generated. Because the actions of all committees and all legislators affect both sides of the budget equation -- revenues as well as expenditures -- the Constitution requires the Legislature as a whole to adopt a balanced budget. Consequently, it is the responsibility of the entire Legislature to balance authorized expenditures with anticipated revenues, not to delegate the responsibility to the committees that consider raising or expending revenue.

FIRST PROGRESS REPORT ON REVENUE ESTIMATES

To date, the Joint Revenue Estimating Subcommittee has met seven times and reached consensus on the fundamental economic assumptions that underlie the revenue estimates: interest rates, inflation, population and employment, mineral prices and production, corporate

profits, and the general direction of the state's economy.

The prognostication of the Subcommittee is that growth in Montana for the next two years will be slow.

Based on testimony provided by Mr. Phil Brooks, formerly the State Economist; Ms. Judith Curtis Waldron and Ms. Madalyn Quinlan, Analysts in the Office of the Legislative Fiscal Analyst; Mr. Terry Johnson, staff to Governor Schwinden's Revenue Estimating Advisory Council; and various industry representatives and based on projections from Wharton Econometrics, the Subcommittee's consensus is that growth in population and employment will be no greater than 1 percent each year of the 1990-91 biennium. The slow growth in population and employment will be accompanied by annual growth ranging from over 7 to under 5 percent in total personal income and nonfarm labor income. The purchasing power associated with the growth in total personal income will be somewhat offset, however, by inflation ranging from 4 to 5 percent over the biennium.

GENERAL FUND REVENUE ESTIMATES

Because approximately 70% of general fund revenue is generated from five sources -- individual income taxes, corporation license taxes, oil severance taxes, coal severance taxes, and income from the investment of state funds -- the Subcommittee concentrated on those sources. The following sections discuss briefly some of the major forecast assumptions adopted by the Joint Revenue Estimating Subcommittee. All forecasts are based on law as of January 1, 1989, and may need to be adjusted for legislation that has been or will be passed by the 1989 Legislature.

The Subcommittee forecasts total general fund revenue at \$391.3 million in fiscal 1989, \$378.7 million in fiscal 1990, and \$392.7 million in fiscal 1991. The revenue forecasts and the underlying economic assumptions are discussed below and in Table 1.

Table 1

GENERAL FUND REVENUE COMPARISON
Fiscal Years 1990 and 1991
(Millions)

Category	-----Fiscal 1990-----		-----Fiscal 1991-----		-----1991 Biennium-----	
	LFA	Executive Subcommittee	LFA	Executive Subcommittee	LFA	Executive Subcommittee
Individual Income Tax	\$136.676	\$139.170	\$141.677	\$150.401	\$148.077	\$150.661
Corporation License Tax	29.660	28.855	28.946	30.567	29.010	29.134
Coal Severance Tax	7.318	7.235	7.237	6.594	6.249	6.412
Oil Severance Tax	12.680	14.439	13.165	13.467	13.836	12.613
Interest on Investments	19.423	14.920	19.537	17.168	14.282	19.246
Bond Transfer	38.461	37.760	39.124	41.010	38.977	40.720
Coal Trust Interest Income	37.219	35.913	36.540	39.700	37.510	38.646
Insurance Premiums Tax	21.120	22.187	22.187	22.023	23.685	23.685
Public Inst. Reimbursement	16.702	12.211	12.211	17.161	12.352	12.352
Liquor Profits	3.714	3.153	3.714	3.942	2.680	3.942
Liquor Excise Tax	5.252	4.691	5.252	5.370	4.402	5.370
Inheritance Tax	9.550	8.905	9.550	9.980	9.151	9.980
Metal Mines Tax	4.336	4.145	4.336	3.703	3.595	3.703
Electrical Energy Tax	3.221	3.488	3.221	3.221	3.528	3.221
Drivers' License Fees	0.790	0.791	0.791	0.790	0.812	0.812
Telephone License Fees	3.720	3.821	3.821	3.803	3.971	3.971
Beer License Tax	1.228	1.244	1.244	1.240	1.260	1.260
Natural Gas Severance Tax	1.036	0.999	1.000	1.135	1.035	1.100
Freight Line Tax	1.288	1.117	1.288	1.342	1.180	1.342
Mine Tax	0.794	0.868	0.794	0.794	0.835	0.794
Other Revenue Sources	23.558	23.096	23.096	24.418	23.723	23.732
Total	\$377.746	\$369.008	\$378.731	\$397.829	\$380.150	\$392.696
	-----	-----	-----	-----	-----	-----
				\$775.575	\$749.158	\$771.427
				-----	-----	-----

Individual Income Tax

General fund revenue from the individual income tax is anticipated to total \$143.8 million in fiscal 1989, \$141.7 million in fiscal 1990, and \$150.7 million in fiscal 1991. These general fund estimates are based on the following assumptions:

- (1) Total Montana personal income is expected to grow 7.8 percent in 1989, 4.5 percent in 1990, and 4.3 percent in 1991.
- (2) Montana's population growth will average 0.6 percent per year over the biennium.
- (3) The individual income tax surtax applies only to 1987 and 1988 income tax liabilities. Termination of the surtax causes fiscal 1990 revenue to drop below the fiscal 1989 level.
- (4) Income tax collections in fiscal 1990 will be bolstered by 1989 income growth that exceeds the estimated rate of inflation by 3.1 percent.
- (5) The effects on income tax collections from the final phase-in of the 1986 federal income tax reform are estimated to be \$39.2 million in 1988, \$48.1 million in 1989, \$58 million in 1990, and \$69.3 million in 1991.

Corporation License Tax

Each year of the forecast period, the corporation income tax is expected to yield approximately \$29 million of general fund revenue. Experience indicates that the profitability of Montana corporations and, hence, their corporate tax liabilities are dependent on U.S. corporate

profits, oil prices, and interest rates. Underlying the committee's forecasts of corporate tax collections are the assumptions that U.S. corporate profits will rise 8 percent in 1988, 5 percent in 1989, and 5 percent in 1990. Accompanying the increases in profits are gradually rising oil prices and long-term interest rates averaging 10 percent.

Coal Severance Tax

The general fund's share of the coal severance tax is forecast to drop from \$9.1 million in fiscal 1989 to \$7.2 million in fiscal 1990 and \$6.4 million in fiscal 1991. The decline between fiscal 1989 and 1990 is the result of the general fund allocation falling from 15.31 percent of total revenue to 13.68 percent and production falling from the record 36.9 million ton production level of 1988. Coal production is anticipated to decline to 31.8 million tons in 1989 and 32 million tons in both 1990 and 1991. Forecasted production shows tonnages returning to the levels of 1985 and 1986. Shifts in the average price of Montana coal result from shifts in production among companies, each with different contracted prices.

Oil Severance Tax

According to the Subcommittee's forecasts, general fund revenue from the oil severance tax will decline from \$13.5 million in fiscal 1989 to \$13.2 million in fiscal 1990 and \$12.6 million in fiscal 1991. While average oil prices are not expected to return to the levels of the early 1980s, the Subcommittee anticipates a gradual price rise after the drop

in the second half of 1988. By 1991, Montana prices are forecast to average \$16 per barrel compared with an average of \$14.50 in 1988. More than offsetting the anticipated price increases are declines in the state's total production which falls from 22.5 million barrels in 1988 to 19 million barrels in 1990. Taxable production falls even more as tax exemptions for "new" and "stripper" production reduce the proportion of total production subject to taxation.

Interest on Investments

Unless statutes specify otherwise, cash balances in the state's treasury earn interest that is deposited in the general fund. Revenue from interest on investments is expected to total \$20.5 million in fiscal 1989, \$19.5 million in fiscal 1990, and \$19.2 million in fiscal 1991. Short-term investments are anticipated to earn interest at the rate of 8.5 percent in fiscal 1989 and 8 percent in both fiscal 1990 and 1991. The average cash balance available for investment is anticipated to total \$241 million in fiscal 1989, \$244.2 million in fiscal 1990, and \$240.6 million in fiscal 1991. Included in the fiscal 1990 balance is \$51 million from the sale of tax and revenue anticipation notes (TRANS), while the fiscal 1991 balance contains \$62 million from TRANS. The decline in the average balance without TRANS proceeds between fiscal 1989 and 1990 is attributable to increased highway spending that reduces cash available for investment.

Coal Trust Interest Income

General fund interest from the permanent coal trust fund is forecast to

be \$39.7 million in fiscal 1989, \$36.5 million in fiscal 1990, and \$38.6 million in fiscal 1991. The decline in fiscal 1990 is the result of the general fund's share of total interest falling from 98 percent to 85 percent. The forecasts of interest income are consistent with the outlook for coal severance taxes and long-term interest rates on deposits to the trust averaging 9.75 percent in fiscal 1989, 10 percent in fiscal 1990, and 10 percent in fiscal 1991.

SCHOOL FOUNDATION REVENUES

Revenue to the School Foundation Program is forecast to be \$279.4 million in fiscal 1989, \$254.6 million in fiscal 1990, and \$260.5 million in fiscal 1991. Table 2 summarizes the Subcommittee's forecasts. The allocations shown for individual income taxes, corporate license taxes, and coal severance taxes are consistent with the estimates shown for the general fund. Similarly, Foundation Program revenues that derive from the same sources as general fund revenues, e.g. natural resource prices and production, on like economic assumptions.

Common School Interest and Income

Approximately two-thirds of common school interest and income is derived from interest earned by the common school trust fund. Another one-third is derived from income collected from rentals and leases on state lands. Revenues are projected to increase approximately \$1 million each year of the biennium with the growth of the common school trust fund. Revenue from rentals and leases is not projected to grow during the fiscal 1989-91 period.

Table 2

PUBLIC SCHOOL FOUNDATION PROGRAM REVENUE COMPARISON
Fiscal Years 1990 and 1991
(Millions)

	Fiscal 1990		Fiscal 1991		1991 Biennium	
	LFA	Executive Subcommittee	LFA	Executive Subcommittee	LFA	Executive Subcommittee
Beginning Balance	\$0	\$0.000	\$0	\$0	\$0	\$0
State Equalization						
31.8% Individual Income Tax	\$74.679	\$76.042	\$77.411	\$82.178	\$82.320	\$156.857
25% Corporate License Tax	11.596	11.271	11.307	11.940	11.380	23.526
Coal Severance Tax	2.033	2.010	2.010	1.832	1.781	3.865
Interest and Income	34.411	33.485	33.699	35.815	34.353	70.226
U.S. Mineral Royalties	18.634	22.686	20.500	19.213	21.000	37.847
Education Trust Interest (67.5%)	1.553	0.926	1.564	1.824	1.831	3.377
Education Trust Withdrawal	0.000	0.000	0.000	0.000	0.000	2.074
Total State Equalization	\$142.896	\$146.420	\$146.491	\$152.802	\$153.082	\$295.698
County Equalization						
45 Mill Levy	\$84.032	\$85.499	\$85.635	\$83.625	\$84.142	\$167.657
Miscellaneous	8.727	6.797	6.914	8.922	7.436	17.649
Forest Funds	1.163	1.465	1.465	1.163	1.465	2.326
Grazing Funds	0.108	0.102	0.102	0.108	0.102	0.216
Elem Transportation	(63.700)	(63.717)	(63.717)	(63.700)	(63.717)	(67.400)
High School Tuition	(60.759)	(60.838)	(60.838)	(60.759)	(60.838)	-1.518
Total County Equalization	\$89.571	\$89.308	\$89.561	\$89.359	\$88.976	\$178.930
District Share of Permissive	\$18.217	\$17.127	\$18.537	\$18.179	\$18.394	\$36.396
TOTAL NON-GENERAL FUND	\$250.684	\$252.855	\$254.589	\$260.340	\$260.452	\$511.024
						\$515.041
						\$170.334
						14.179
						2.930
						0.204
						(67.434)
						-1.676
						\$178.537
						\$36.931
						\$511.490
						\$299.573

U.S. Mineral Royalties

The state receives 50 percent of the royalties paid for mineral production on federal lands, including coal, oil, and natural gas production. Coal royalties comprise about one-half of the total royalties collected from production on federal lands. The revenue estimates for U.S. mineral royalties are based on declining coal production in fiscal years 1989 and 1990, relative to fiscal 1988. The revenue estimate increases by \$500,000 or 2.5 percent in fiscal 1991 (over fiscal 1990) as the value of coal production increases.

Education Trust Fund Interest

The revenue estimates for education trust fund interest are based on current law. Under current law, 7.6 percent of coal severance tax revenue is allocated to the education trust fund in both fiscal 1990 and 1991, and 6.65 percent to the local impact account. The estimated growth in the amount of trust fund interest reflects the addition of these funds to the trust. The estimates also assume that \$11.4 million of unspent education trust funds, which were appropriated to the School Foundation Program for the 1989 biennium, revert to the trust fund. The interest applied to new long-term investments is 10 percent in fiscal years 1990 and 1991. The portion of the education trust fund invested in the short-term investment pool is estimated to earn 8 percent in each year of the 1991 biennium.

Statewide Taxable Valuation and the 45 Mill Levy

Statewide taxable valuation for tax year 1988 is the final valuation certified by the Department of Revenue. Taxes are paid in November and May of fiscal 1989 based on tax year 1988 valuations. The statewide taxable valuation is projected to fall by 2.1 percent in tax year 1989 and by an additional 1.1 percent in tax year 1990. After increasing by 9 percent in tax year 1988, net and gross proceeds are projected to decline by 11 percent in tax year 1989 and 10 percent in tax year 1990. Statewide taxable valuation for all classes other than net and gross proceeds is projected to grow by 0.3 percent in tax year 1989 and 1 percent in tax year 1990.

CONCLUSION

The Subcommittee will continue to review and refine the revenue estimates over the next two weeks and will present a final report to the House and Senate before the 60th Legislative Day. Pursuant to the Joint Rules of the House and the Senate, the resolution in which revenues are estimated must be transmitted from the house of origin to the other house on or before the 60th Legislative Day. The schedule of the Subcommittee during the next two weeks will assure that the House of Representatives can consider House Joint Resolution No. 13 before the 60th Day transmittal deadline.

COMPARISON OF GENERAL FUND REVENUES AND CURRENT ESTIMATES
Fiscal Years 1984 through 1991
(Millions)

WKS=RESCORP2 DATE = 02/15/09														
Source of Revenue	Actual FY 1994	Actual FY 1985	Actual FY 1986	Actual FY 1987	Actual FY 1988	OBPP FY 1989	LFA FY 1989	Sub-Cons. FY 1989	OBPP FY 1990	LFA FY 1990	Sub-Cons. FY 1990	OBPP FY 1991	LFA FY 1991	Sub-Cons. FY 1991
Individual Income Tax	109,021,640	115,876,580	110,218,323	124,593,264	162,746,609	141,114,000	143,742,000	143,810,000	139,170,000	136,476,000	141,477,000	148,077,000	150,401,000	150,441,000
Corporation License Tax	20,541,717	38,457,811	33,884,813	19,682,607	27,027,777	28,694,000	29,454,000	29,242,000	28,853,000	29,666,000	28,946,000	29,010,000	30,567,000	29,134,000
Oil Severance Tax	32,680,614	32,432,283	20,901,398	17,490,794	12,961,331	13,540,000	9,137,000	9,115,000	7,239,000	12,618,000	7,237,000	6,849,000	6,394,000	6,412,000
Interest on Investments	23,527,514	25,327,889	13,285,594	12,826,674	15,731,943	14,324,000	17,315,000	20,453,000	14,939,000	12,680,000	13,136,000	12,849,000	12,670,000	12,610,000
Long-Range Bond Excess	41,682,643	35,535,668	35,443,208	35,912,990	37,461,464	38,444,000	39,636,000	37,660,000	37,760,000	38,461,000	39,124,000	38,977,000	40,720,000	40,720,000
Coal Trust Interest Income	18,947,636	32,443,208	32,443,208	32,443,208	32,443,208	39,002,000	39,574,000	39,574,000	35,913,000	37,219,000	36,540,000	37,510,000	39,700,000	38,446,000
Insurance Premiums Tax	13,621,332	15,413,565	15,432,999	17,827,085	32,047,077	21,371,000	21,625,000	21,371,000	22,187,000	21,190,000	22,187,000	21,685,000	22,023,000	23,485,000
Public Institutions Reimb.	9,179,921	12,895,827	14,161,133	14,215,747	15,395,310	14,090,000	16,255,000	14,090,000	12,211,000	16,702,000	12,211,000	12,352,000	17,141,000	12,352,000
Liquor Profits	5,782,000	4,466,000	4,306,000	5,000,000	3,635,000	3,823,000	3,564,000	3,564,000	3,153,000	3,714,000	3,140,000	2,860,000	3,942,000	3,942,000
Liquor Excise Tax	6,415,794	5,935,958	5,836,884	5,891,174	5,327,934	4,978,000	5,188,000	5,188,000	4,691,000	5,326,000	5,232,000	4,402,000	5,370,000	5,370,000
Inheritance Tax	5,946,471	7,976,824	8,364,764	7,212,092	8,745,437	8,776,000	10,514,000	10,514,000	8,955,000	9,550,000	9,550,000	9,151,000	9,980,000	9,980,000
Metal Mines Tax	2,630,135	1,977,324	0,998,832	1,211,030	2,961,778	3,691,000	4,242,000	4,242,000	3,486,000	3,221,000	4,336,000	3,950,000	3,703,000	3,703,000
Electrical Energy Tax	2,413,172	2,361,053	2,304,043	0,991,861	3,311,082	3,890,000	3,632,000	3,632,000	3,486,000	3,221,000	3,221,000	3,528,000	3,221,000	3,221,000
Drivers' License Tax	0,799,614	0,803,983	0,792,424	0,802,900	790,325	0,804,000	0,790,000	0,804,000	0,791,000	0,791,000	0,791,000	0,812,000	0,790,000	0,812,000
Telephone License Tax	2,521,905	2,931,732	3,243,732	3,546,256	3,430,494	3,654,000	3,540,000	3,540,000	3,821,000	3,790,000	3,821,000	3,971,000	3,803,000	3,971,000
Beer License Tax	1,204,235	1,156,186	1,287,763	1,281,318	1,534,564	1,242,000	1,280,000	1,242,000	1,242,000	1,242,000	1,242,000	1,242,000	1,240,000	1,240,000
Natural Gas Severance Tax	2,797,976	2,943,778	2,896,666	2,942,463	1,915,323	1,430,000	1,035,000	1,035,000	0,999,000	1,036,000	1,036,000	1,035,000	1,135,000	1

Table 4

GENERAL FUND REVENUE COMPARISON
Fiscal Year 1989
(Millions)

Category	LFA	Executive	Subcommittee
Individual Income Tax	\$143.762	\$141.114	\$143.810
Corporation License Tax	29.654	28.694	29.262
Coal Severance Tax	9.137	8.918	9.115
Oil Severance Tax	12.943	13.536	13.536
Interest on Investments	17.315	14.324	20.485
Bond Transfer	39.636	38.444	39.525
Coal Trust Interest Income	39.574	39.002	39.720
Insurance Premiums Tax	21.625	21.371	21.371
Public Institutions Reimbur	16.255	16.090	16.090
Liquor Profits	3.524	3.623	3.524
Liquor Excise Tax	5.188	4.998	5.188
Inheritance Tax	10.514	8.727	10.514
Metal Mines Tax	4.242	3.691	4.242
Electrical Energy Tax	3.632	3.389	3.632
Drivers' License Fees	0.790	0.804	0.804
Telephone License Fees	3.560	3.656	3.656
Beer License Tax	1.228	1.242	1.242
Natural Gas Severance Tax	1.055	1.143	1.100
Freight Line Tax	1.184	1.181	1.184
Wine Tax	0.833	0.901	0.833
Other Revenue Sources	23.797	22.509	22.509
Total	\$389.448	\$377.357	\$391.342

Table 5

PUBLIC SCHOOL FOUNDATION PROGRAM REVENUE COMPARISON
Fiscal Year 1989
(Millions)

	----- Fiscal 1989 -----		
	LFA	Executive Subcommittee	
Beginning Balance	\$1.688	\$1.022	\$1.022
State Equalization			
31.8% Individual Income Tax	\$78.550	\$77.104	\$78.577
25% Corporate License Tax	11.583	11.209	11.430
Coal Severance Tax	10.022	9.781	9.997
Interest and Income	30.313	32.465	32.496
U.S. Mineral Royalties	19.044	23.524	21.500
Education Trust Interest (67.5%)	0.821	0.825	0.848
Education Trust Withdrawal	17.323	15.857	13.220
	-----	-----	-----
Total State Equalization	\$167.656	\$170.765	\$168.068
County Equalization			
45 Mill Levy	\$87.433	\$87.431	\$87.433
Miscellaneous	7.770	5.876	7.950
Forest Funds	1.163	1.465	1.163
Grazing Funds	0.108	0.102	0.108
Elem Transportation	(\$4.419)	(\$3.717)	(\$4.419)
High School Tuition	(\$0.759)	(\$0.838)	(\$0.759)
	-----	-----	-----
Total County Equalization	\$91.296	\$90.319	\$91.476
District Share of Permissive	\$18.880	\$17.340	\$18.880
TOTAL NON-GENERAL FUND	\$279.520	\$279.446	\$279.446

Table 6

ECONOMIC ASSUMPTIONS OF THE JOINT REVENUE ESTIMATING SUBCOMMITTEE
February 16, 1989 -- 40th Legislative Day

YEAR	ASSUMPTION	CY/FY 1988	CY/FY 1989	CY/FY 1990	CY/FY 1991
CY	Oil Production (Million Bbl.)	22,500	21,500	20,000	19,000
FY	Oil Production (Million Bbl.)	23,547	22,275	21,131	19,754
CY	Oil Price \$/Bbl.	\$14,500	\$15,000	\$15,500	\$16,000
FY	Oil Price \$/Bbl.	\$16,487	\$14,476	\$15,176	\$15,587
FY	Exempt "New" Production (Million Bbl.)	0,613	1,105	1,048	0,980
FY	Exempt "Stripper" Production (Million Bbl.)	1,709	1,636	1,602	1,602
CY	Coal Production (Million tons)	36,879	31,796	32,000	32,000
CY	Coal Price \$/ton	\$7,385	\$7,360	\$7,460	\$7,410
	MT Population on July 1	804,000	809,000	815,000	819,000
CY	Consumer Price Index (% change)	4,140%	4,700%	4,700%	3,650%
FY	Short-term Interest Rate (STIP)	NA	8,500%	8,000%	8,000%
FY	Long-term Interest Rate	NA	9,750%	10,000%	10,000%
CY	MT Total Personal Income (Billion \$)	\$10,300	\$11,100	\$11,600	\$12,100
CY	MT Non-Farm Employment (Thousands)	279,000	280,700	282,200	284,100
CY	MT Total Non-Farm Labor Income (Billion \$)	\$6,300	\$6,600	\$7,000	\$7,500
FY	Individual Income Tax Audits (Million \$)	NA	\$10,307	\$10,786	\$11,266
CY	Federal Tax Reform -- Individuals (Million \$)	\$39,233	\$48,120	\$58,079	\$69,383
CY	U.S. Total Corporate Profits (Billion \$)	\$299,200	\$314,600	\$330,800	NA
CY	Corporation License Tax Audits (Million \$)	\$9,203	\$8,000	\$7,000	\$7,000
CY	Federal Tax Reform -- Corporate (Million \$)	\$5,890	\$6,350	\$6,750	\$7,175
FY	Treasury Cash Balance (Million \$)	NA	\$241.0	\$244.2	\$240.6
FY	TRANS (Million \$)	NA	NA	\$51.0	\$62.0

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EXHIBIT notice
DATE 3/3/89
HB HJR13

March 3rd 1989

TO: Joint Revenue Estimating Subcommittee
FROM: Representative Bob Ream, Chairman

House Joint Resolution 13, will be heard in House Taxation Committee next Thursday, March 9th. Prior to that, we need to meet once or twice to finalize our revenue estimates. As you have probably heard, both the LFA and Terry Johnson have estimated higher revenues through the next biennium. These should be incorporated in HJR13 in the appropriate places. We may be able to do this in one meeting, but I will schedule meetings for:

7:00 a.m. March 7th Tuesday

7:00 a.m. March 8th Wednesday

We will meet in room 420.

cc: LFA
OBPP
Terry Johnson